

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
AID-05 TRSE-00 OMB-01 /072 W
-----105517 250942Z /13

P R 250837Z AUG 78
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC PRIORITY 1081
INFO AMEMBASSY BANGKOK
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMCONSUL MEDAN
AMEMBASSY SINGAPORE
AMEMBASSY SURABAYA
AMEMBASSY CANBERRA
CINCPAC HONOLULU HI

C O N F I D E N T I A L JAKARTA 11633

CINCPAC FOR POLAD

E.O. 11652: GDS
TAGS: PGOV, PINT, ECON, SGEN, ID, EAID
SUBJECT: PRESIDENT SUHARTO'S NATIONAL DAY SPEECH: FURTHER COMMENTS
ON ECONOMIC ASPECTS

REF: JAKARTA 11291

1. INVESTMENT CLIMATE. ALTHOUGH SUHARTO'S NATIONAL DAY
SPEECH GAVE IMPRESSION THAT THERE MAY BE NO NEW MEASURES
TO STIMULATE PRIVATE FOREIGN INVESTMENT, CONSENSUS OF
LOCAL OFFICIALS AND FOREIGN BUSINESS REPS IS THAT THIS
CONCLUSION IS NOT JUSTIFIED. THEY POINTED OUT THAT
PRESIDENT COULD HARDLY BE EXPECTED TO BE MORE
SPECIFIC ON THIS SENSITIVE SUBJECT IN HIS
INDEPENDENCE SPEECH (PAST PATTERN HAS BEEN FOR PRESIDENT
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TO LOW KEY FOREIGN FOREIGN INVESTMENT IN NATIONAL DAY SPEECHES).
GOI DOES IN FACT SEEM TO BE CONTINUING ITS WORK IN DEVELOPING
NEW PROCEDURES AND NEW INCENTIVES. WE HAVE LEARNED
FROM SEVERAL OFFICIALS, INCLUDING MINISTER OF INDUSTRY
SOEHOED, THAT GOI HOPES TO MAKE FURTHER POSITIVE CHANGES
IN THIS AREA, AND WE EXPECT THAT IF SOEHOED HAS HIS WAY
SUCH CHANGES WILL TAKE PLACE.

2. RELIABLE SOURCES ALSO SAY THAT FURTHER PERSONNEL CHANGES ARE IN THE MAKING, BOTH AT CAPITAL INVESTMENT COORDINATING BOARD) (BKPM) AND THE MINISTRY OF INDUSTRY WHICH WOULD SUGGEST THAT GOI IS COGNIZANT OF NEED TO IMPROVE INVESTMENT CLIMATE. FYI. ONE SCENARIO SET FORTH IS THAT CHAIRMAN HALIM WOULD BECOME DEPUTY CHAIRMAN OF BAPPENAS TO EAST MINISTER OF STATE SUMARLIN'S WORKLOAD AS NUMBER TWO IN BAPPENAS. SUMARLIN WOULD CONTINUE AS MINISTER OF STATE FOR CONTROL OF THE STATE APPARATUS. THE BKPM CHAIRMANSHIP WOULD GO TO DRS. A.T. SALAMUN, CURRENTLY SECRETARY GENERAL IN THE FINANCE MINISTRY, AND THE DEPUTY CHAIRMANSHIP TO ACHMAD SLAMET, CURRENTLY SECRETARY GENERAL IN THE DEPARTMENT OF INDUSTRY. END FYI.

3. IN A RELATED MATTER, DR. MOOY TOLD US THAT THE GOI EXPECTS THAT DURING REPELITA III APPROXIMATELY 21 PERCENT OF GDP WOULD GO TO GROSS INVESTMENT. OF THIS AMOUNT, APPROXIMATELY 81 PERCENT WOULD BE FINANCED FROM DOMESTIC SAVINGS AND 19 PERCENT FROM NET PRIVATE CAPITAL INFLOWS. THIS COMPARES WITH A 75/25 SPLIT IN THE DOMESTIC SAVINGS/ FOREIGN CAPITAL RATIO DURING REPELITA II. ALTHOUGH PRIVATE FOREIGN CAPITAL WOULD CONSTITUTE A SMALLER PROPORTION OF GROSS INVESTMENT DURING REPELITA III, HOWEVER, DR. MOOY EMPHASIZED THAT BECAUSE ABSOLUTE AMOUNTS HAVE GROWN, THE CONFIDENTIAL

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AMOUNT OF PRIVATE FOREIGN CAPITAL NEEDED TO MEET THESE INVESTMENT TARGETS WILL ALSO HAVE TO INCREASE. FOREIGN PRIVATE INVESTMENT WOULD BE CONSIDERED AN IMPORTANT ADDITION TO OFFICIAL CAPITAL INFLOWS FROM DONOR COUNTRIES AND IF'S, MOOY SAID. HE STRESSED THE GOI'S DESIRE TO ENCOURAGE MORE PRIVATE INVESTMENT AND HE SEEMED CONFIDENT THAT THERE WOULD BE NEW DEVELOPMENTS IN THIS AREA DURING THE COMING MONTHS. GARDNER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INVESTMENT CLIMATE, SPEECHES
Control Number: n/a
Copy: SINGLE
Draft Date: 25 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978JAKART11633
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780348-0409
Format: TEL
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780824/aaaaatxl.tel
Line Count: 103
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a635105c-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 JAKARTA 11291
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1623518
Secure: OPEN
Status: NATIVE
Subject: PRESIDENT SUHARTO'S NATIONAL DAY SPEECH: FURTHER COMMENTS ON ECONOMIC ASPECTS
TAGS: PGOV, PINT, ECON, SGEN, EAID, ID, (SUHARTO)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/a635105c-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014